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Message Text

SECRET

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70
ACTION PM-07

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 INR-11 NSAE-00

RSC-01 NSC-07 SP-03 SS-20 L-03 IGA-02 MC-02 EB-11

OMB-01 TRSE-00 DRC-01 /106 W
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R 162220Z AUG 74
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 1508
SECDEF WASHDC
JCS
USCINCSO

S E C R E T LIMA 6860

EO 11652 GDS
TAGS: EGEN, MASS, PE
SUBJ: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES FOR PERU

REF: STATE 31505; LIMA 5010

1. THIS CABLE EXPANDS UPON AND CORRECTS DATA SUBMITTED IN LIMA 5010. REFERENCES ARE KEYED TO PARAGRAPHS OF THAT CABLE.

2. PARA 6. PERUVIAN MILITARY BUDGET FOR DEFENSE EXPENDITURES FOR THE BIENNIUM 1973-1974, $520 MILLION, REPRESENTS 3.3 PERCENT OF GNP RATHER THAN 6.9 PERCENT AS REPORTED LIMA 5010. MILITARY BUDGET REPRESENTS 13.8 PERCENT OF TOTAL BIENNIAL BUDGET AS ORIGINALLY REPORTED. ESTIMATE THAT 20 PERCENT OF TOTAL MILITARY BUDGET HAS BEEN SPENT ON NEW FOREIGN MILITARY EQUIPMENT AND MATERIAL PURCHASES WAS MADE BY EXTRAPOLATING FROM THE MOST RECENTLY AVAILABLE MILITARY BUDGET BREAKDOWN PUBLISHED IN 1970. APPLYING THIS 20 PERCENT FIGURE TO THE $520 MILLION PUBLISHED MILITARY BUDGET INDDICATES $104 MILLION FOR FOREIGN PURCHASES--ABOUT $50 MILLION PER YEAR. THE $50 MILLION FIGURE FOR PURCHASES THROUGH THE FMS SYSTEM WAS OBTAINED BY ROUNDING OFF THE $51.2 MILLION OF PURCHASES MADE SINCE SECRETARY ROGERS' MAY 1973 VISIT TO PERU.
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PURCHASES THROUGH CALENDAR 1974 MAY, IN FACT, INCREASE

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THIS FIGURE. POSSIBLE FUTURE FMS SALES IN THE NEIGHBORHOOD OF $130-$140 MILLION ARE IN VARIOUS STAGES OF DISCUSSION.

3. PARA 7. WE TRIED TO ESTIMATE WHAT PROPORTION OF PERU'S FOREIGN BORROWINGS WAS FOR FINANCING OF MILITARY PURCHASES. USING THE 1971-1973 TOTALS OF $1.05 BILLION IN FOREIGN BORROWINGS, $364 MILLION IN FOREIGN MILITARY PURCHASE CONTRACTS SIGNED, AND $191 MILLION IN ACTUAL DELIVERIES, AND ASSUMING THAT ALL MILITARY PURCHASES WERE FINANCED RATHER THAN PAID ON A CASH BASIS, THEN 20-35 PERCENT OF PERU'S BORROWINGS WAS FOR THE PURPOSE OF BUYING MILITARY EQUIPMENT.

4. PARA 8. THE CHART LISTING PURCHASES CONTRACTED AND DELIVERIES IN 1971-73 WAS OBTAINED BY ROUNDING OFF FIGURES GIVEN IN "FOREIGN MILITARY ASSISTANCE (FOMA)" PUBLISHED BY DIA IN JANUARY, 1974. EMBASSY IS NOT CERTAIN THAT THE $200 MILLION ITIALIAN FRIGATE CONTRACT CITED IN THE FOMA HAS ACTUALLY BEEN SIGNED. THIS REPRESENTS A SUBSTANIAL PART OF THE 280 MILLION FIGURE FOR PURCHASES CONTRACTED IN 1973. IN COLLATING OUR OWN FIGURES FOR FOREIGN MILITARY PURCHASES MADE AND PLANNED, WE HAVE BEEN UNABLE TO DISCOVER HOW OUR U.S. BANKING SOURCE ARRIVED AT HIS ESTIMATE OF $600 MILLION OF FOREIGN MILITARY PURCHASES TO BE MADE IN 1974. ACCORDING TO OUR FIGURES, THERE ARE OVER $124 MILLION OF THIRD COUNTRY MILITARY PURCHASES UNDER DISCUSSION OR IN VARIOUS STATES OF NEGOTIATONS AND $130-$140 MILLION OF MILITARY PROCUREMENT UNDER CONSIDERATION OR NEGOTIATION FOR PURCHASE THROUGH THE FMS SYSTEM. IN ADDITION, THERE ARE POSSIBLY SUBSTANTIAL PURCHASES ABOUT WHICH WE HAVE NO FIRM INFORMATION.

5. COMMENT: DEPARTMENT SHOULD NOTE THAT ALL FOREGONG FIGURES ARE BASED ON AT BEST INCOMPLETE INFORMATION AND CAN BY NO MEANS BE CONSIDERED DEFINITIVE. PERU CLEARLY CONTINUES TO HAVE AN IMPRESSIVE FORCE MODERNIZATION IN MIND, AND ACQUISITION COSTS, AS PLANS MATERIALIZE, WILL CERTAINLY BE LARGE.
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